

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 06452 01 OF 02 211626Z

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AID-05 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00  
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01  
NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PRS-01 PA-01  
AGRE-00 ITC-01 /088 W

-----029140 211651Z /46

P 211547Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 0396

INFO ALL EC CAPITALS

LIMITED OFFICIAL USE SECTION 01 OF 02 BRUSSELS 06452

USEEC, PARIS ALSO FOR USOECD

E.O. 11652: N/A

TAGS: EEC, EFIN

SUBJ: EC FINANCE COUNCIL, JUNE 20, 1977: RESULTS

REFS: (A) BRUSSELS 5902; (B) EC BRUSSELS 311

1. SUMMARY: THE EC FINANCE COUNCIL FOCUSED ON A NEW COMMISSION PROPOSAL FOR A ONE BILLION UNIT OF ACCOUNT COMMUNITY LOAN FACILITY. THE MINISTERS ALSO DISCUSSED PROPOSALS FOR THE JUNE 27 TRIPARTITE CONFERENCE. END SUMMARY.

2. COMMISSION PROPOSAL FOR COMMUNITY BORROWING SCHEME: EC COMMISSION VICE PRESIDENT ORTOLI FORMALLY PRESENTED TO THE COUNCIL HIS PROPOSAL THAT UP TO ONE BILLION UNITS OF ACCOUNT (1.12 BILLION DOLLARS) BE RAISED IN LOANS ON THE CAPITAL MARKET IN AN ATTEMPT TO PROMOTE INVESTMENT--LED GROWTH AND RESTORE FULL EMPLOYMENT IN THE EC. THE PLAN, AS DESCRIBED BY ORTOLI DURING A JUNE 15 PRESS  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 06452 01 OF 02 211626Z

CONFERENCE IN BRUSSELS, COMPRISES THE FOLLOWING ELEMENTS:

(1) UNDER ARTICLE 235 OF THE ROME TREATY, THE COMMISSION WOULD BE AUTHORIZED TO RAISE CAPITAL--UP TO ONE BILLION U.A. INITIALLY--ON THE OPEN MARKET, AT THE BEST RATES POSSIBLE, AND TO RELOAN THESE FUNDS WITHOUT INTEREST TO COMMUNITY INVESTORS; (2) THE COMMISSION WOULD OBTAIN RESOURCES AS IT RECEIVED APPROVAL FROM THE COUNCIL FOR

SPECIFIC PROJECTS; (3) LOANS WOULD BE INTENDED PRIMARILY FOR PROJECTS IN THE ENERGY AND INDUSTRIAL SECTORS AND FOR REGIONAL POLICY PROJECTS--NOT LIKELY TO BE FINANCED THROUGH OTHER EC INSTITUTIONS, SUCH AS EURATOM OR THE EIB; (4) INDIVIDUAL LOANS WOULD BE MANAGED BY THE EUROPEAN INVESTMENT BANK, ON THE BASIS OF COMMISSION DIRECTIVES, AND (5) THE LOANS WOULD BE GUARANTEED BY THE EC BUDGET.

3. REACTION TO THE PROPOSAL IN THE COUNCIL WAS MIXED, WITH THE FRG, AS EXPECTED, LEADING THE OPPOSITION. OTTO SCHLECHT (STATE SECRETARY IN THE FRG ECONOMIC MINISTRY) TOLD REPORTERS THAT HIS GOVERNMENT FELT EXISTING EC BODIES (EIB, EURATOM, ECSC) HAVE ADEQUATE CAPABILITY FOR RAISING LOANS IN CAPITAL MARKETS AND THAT THE FRG WAS VERY SKEPTICAL OF THE ORTOLI PROPOSAL. MANFRED LAHNSTEIN (STATE SECRETARY IN THE FRG FINANCE MINISTRY) LATER TOLD REPORTERS THAT HIS GOVERNMENT'S OPPOSITION WAS BASED ON ARTICLES 129 AND 130 OF THE ROME TREATY, UNDER WHICH THE EIB HAS OBLIGATIONS FOR EXACTLY WHAT THE ORTOLI-PROPOSED LOAN SYSTEM WOULD ENTAIL; THERE IS NO NEED, IN THE FRG VIEW, FOR TWNKBIL INSTRUMENTS PERFORMING THE SAME FUNCTIONS. HE ADDED THAT THE GERMAN GOVERNMENT WOULD ALSO HAVE CONSTITUTIONAL PROBLEMS OVER THE TRANSFER OF POWER IN THE FINANCIAL FIELD TO A NON-FRG BODY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRUSSE 06452 01 OF 02 211626Z

4. ACCORDING TO PERMREP SOURCES, THE GERMANS AND THE DUTCH BOTH RAISED IN THE COUNCIL THE PROSPECT THAT THE COMMUNITY LOAN SCHEME, IF APPROVED, WOULD SATURATE THE MARKET, MAKING IT MORE DIFFICULT FOR NATIONAL GOVERNMENTS TO BORROW. ACCORDING TO A COUNCIL SOURCE, WHEN THIS COMPETITION ANGLE WAS BROUGHT UP, ORTOLI SAID THE COMMISSION HAD STUDIED THE POSSIBILITY WITH THE EIB, WITH EUROPEAN BANKS, AND WITH TWO AMERICAN BANKS AND HAD REACHED THE CONCLUSION THAT THERE WERE NO RISKS INVOLVED. THE GERMANS THEN INDICATED THEY WOULD STUDY THE QUESTION FURTHER ON THEIR OWN.

5. A NUMBER OF MEMBER STATES COMPLAINED THAT THEY HAD NOT RECEIVED THE COMMISSION'S PROPOSAL IN SUFFICIENT TIME TO ALLOW ADEQUATE STUDY; PERMREP SOURCES INDICATED THAT ONLY THE ITALIANS EXPRESSED FULL SUPPORT FOR THE LOAN SCHEME DURING THE COUNCIL MEETING. THE PROPOSAL WILL NOW GO TO THE EC HEADS OF GOVERNMENT DURING THE JUNE 29-30 EUROPEAN COUNCIL; BUT PERMREP SOURCES DO NOT EXPECT THAT ANY DECISIONS WILL COME OUT OF DISCUSSION AT THAT LEVEL. THEY EXPECT THAT THE PROPOSAL WILL BE REFERRED BACK TO EXPERTS FOR STUDY INSTEAD.

6. TRIPARTITE CONFERENCE: THE MINISTERS ENGAGED IN AN EXCHANGE OF VIEWS ON PREPARATIONS FOR THE JUNE 27 TRIPARTITE CONFERENCE, FROM THE STANDPOINT OF INDIVIDUAL MEMBER STATE ECONOMIC POLICIES. THEY DISCUSSED, IN THIS CONTEXT, BOTH THE COMMISSION PAPER FOR THE CONFERENCE (REFTEL A) AND A PAPER FROM THE EUROPEAN TRADE UNION CONFEDERATION (WHICH U.K. CHANCELLOR OF THE EXCHEQUER

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 06452 02 OF 02 211603Z  
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AID-05 CIAE-00 COME-00  
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00  
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01  
NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PRS-01 PA-01  
AGRE-00 ITC-01 /088 W

-----028815 211649Z /46

P 211547Z JUN 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 0397

INFO ALL EC CAPITALS

LIMITED OFFICIAL USE SECTION 02 OF 02 BRUSSELS 06452

HEALEY--THE COUNCIL PRESIDENT--CHARACTERIZED TO REPORTERS AS "VERY HELPFUL"). ACCORDING TO PERMREP SOURCES, THE MINISTERS AGREED THAT THIS TRIPARTITE CONFERENCE SHOULD NOT SEEK TO ARRIVE AT PRECISE CONCLUSIONS OR ISSUE ANY BINDING COMMUNIQUE. HEALEY'S ROLE AS CHAIRMAN OF THE CONFERENCE WILL BE TO IDENTIFY PROBLEMS RATHER THAN TO PROPOSE SOLUTIONS, AND HE WILL BE RESPONSIBLE FOR PREPARING A GENERAL SUMMARY OF DISCUSSIONS, SYNTHESIZING THE MAJOR POINTS OF DEBATE, AT THE MEETING'S CONCLUSION. THE MINISTERS ALSO DISCUSSED AND REVISED HEALEY'S OPENING SPEECH FOR THE CONFERENCE. SCHLECHT TOLD REPORTERS THAT THE SMALL MEMBER STATES INSISTED THAT IT WOULD NOT BE USEFUL IN A COMMUNITY CONTEXT TO BEGIN THE SPEECH, AS HEALEY HAD PROPOSED, WITH A LONG PARAGRAPH ON THE DOWNING STREET SUMMIT. AT HIS POST-SESSION PRESS CONFERENCE, HEALEY NOTED THAT THE OECD MINISTERIAL IN PARIS THIS WEEK WOULD PROVIDE AN INTERNATIONAL BACKDROP FOR THE TRIPARTITE CONFERENCE, PARTICULARLY WITH RESPECT TO DISCUSSION

OF NATIONAL ECONOMIC GROWTH TARGETS.

7. BUDGETARY UNIT OF ACCOUNT: HEALEY TOLD REPORTERS THAT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 06452 02 OF 02 211603Z

HE WENT ON RECORD AGAIN, AT THE MINISTER'S PRE-COUNCIL LUNCHEON, WITH THE U.K.'S POSITION CONCERNING ADOPTION OF THE BUDGETARY UNIT OF ACCOUNT, SAYING THAT HMG SUPPORTS THE COMMISSION'S INTERPRETATION OF ARTICLE 131 OF THE ROME TREATY ("WHICH WOULD PROTECT US") BUT THAT THE U.K. COULD NOT AGREE TO ANY REFORM OF THE UNIT OF ACCOUNT WHICH INCREASED THE BURDEN OF ADAPTATION. HEALEY INDICATED TO REPORTERS THAT THERE WAS NO DISCUSSION ON THIS POINT.

8. CIGARETTE TAX HARMONIZATION: THE COUNCIL DISCUSSED THE COMMISSION'S PROPOSAL FOR THE SECOND STAGE OF HARMONIZATION OF CIGARETTE EXCISE TAXES (REFTEL B) BUT MADE NO PROGRESS TOWARD A DECISION. THE FILE HAS BEEN RETURNED TO COREPER.

9. HARMONIZATION OF BANK CREDIT ACTIVITIES; THE COUNCIL ALSO FAILED TO DECIDE ON A PROPOSED DIRECTIVE ON HARMONIZATION OF BANK CREDIT ACTIVITIES. THE FILE HAS BEEN RETURNED TO COREPER AND WILL PROBABLY BE TAKEN UP AGAIN BY THE COUNCIL IN SEPTEMBER.HINTON

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCE, ECONOMIC RECOVERY, COMMITTEE MEETINGS, ECONOMIC PROGRAMS, LOANS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 21-Jun-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BRUSSE06452  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770221-0553  
**Format:** TEL  
**From:** BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770637/aaaabfza.tel  
**Line Count:** 199  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** cc5a6479-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 BRUSSELS 5902, 77 EC BRUSSELS 311  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 29-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2087127  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EC FINANCE COUNCIL, JUNE 20, 1977: RESULTS  
**TAGS:** EFIN, EEC  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/cc5a6479-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009